

EXHIBIT 106

North Star
KMI
ndy

6-1-05

North Star - KMI

Russ Jones, Tom Huh + Mike Murphy
+ Herb Gibbins to discuss status
of Point Company & begin the
valuation process
re grow

Trading #

822069004120

5-31

6-1

6-2

'originally engaged to help in the
arbitration litigation & also address
total liquidity

A/Bertor Claims

'legal counsel - Lenely

valuation counsel - Larry Tercone

'need to est. Regg. to get us all
info doc provided to

open issue in getting the pack together
if committee approval - current demand
future Reps/Claims

Judge Reinrow - rep

Jerry Pergol - legal counsel

Fritz Rebarthe - valuator

No current agreement on value of all
claims

Future Claims (all still doing due
diligence on companies to come up
with value of both company & all
claims)

we will do nothing w/ if we

file bankruptcy

Dr. Price - Claims/Valuation expert

that company has hired
Messman

'Restructuring experience & expertise

focus

Litigation

→ claim status to determine status

062493-6

EXHIBIT

257

Hommel 5-08-08

NS00020041

67-25

May 26, 2005 - meeting w/ Liberty Credit (Conn.)
Merriman

• treated each entity as separate
stand alone entity for valuation
purposes

• In performing valuation pulled out
everything else for related & non-related
the number

Paint Co. - Total & multiple

Int. Co. - supply multiple

Non recurring chgs. included

E.2 of EBITDA

Transaction in Paint - 1x sale

Not Bad Value & Multiple Input for
the Int. Co.

1996 Valuation

• AS Best used 22 1/2 multiple

All valuation assumed litigation would
be covered by insurance

Hub & Spoke that re rel liability
w/ respect to litigation until 2001

but then no real # involved
b/c up to 2000 or so plaintiff,
but had gone after manufacturers/
not distributor

Note to shareholder - only Mr. Moore
if need be we can claw back
against this

Asset wife w/ respect to CIG

• can't count on liquidity from
CIG - due to regulatory
constraints

6-1-05
Trying to structure so that ongoing cash
flow to service Note for claimant's
can rely on first co. - since
cannot rely on cash flow from Mr. Co.
Sunder here tightened credit line/
on Kelly more limit
In the plan - regardless of size of
Note only one impaired debt that
is the claimant's
working capital & therefore are inflated
to add back sufficient with
to create

other side still not completed
their due diligence to come up
with claims. \$ \$

sale of CCIC

- no plan to sell CCIC or anything
else - but would monetize the
debt relatively easily but could
also do so w/ real estate
but it takes too long to go
through process & don't want
to hold up bankruptcy filing

30,000 current claims

Need Andy & Scott to put together
index of what we have & then
send to Peggy's paralegal &
she will give us all docs
not received

Funding of Note

- could trigger some M&A's
that could increase cash flow

6-10-5

interview w/ Doug Merrill VP of Mgmt.
+ managed prod. division which was
distributor of paint company
OK VP in 1939

Rep. - procurement of raw materials /
managing labor force
producing paint
distribution

3 Plants

① Here

② Houston, TX

③ Seattle, WA

Here, largest tank capacity for making
paint - 21,000 gallons / so
doubles production, but labor
etc. not doubled

Here has 150 stores - all capacity
unused - each plant has warehouse
distribution center

Raw Materials

+ titanium dioxide - makes paint
white, paid for paint most expensive
material - have contract w/ Dupont

+ very supply 100%

+ second most important material is
latex - Roland Heil is supplier

+ third most important - solvents -
supplier is Celcor Corp

other suppliers other than Roland Heil
can't be replaced - Roland Heil would be
more difficult to replace

6-1-05

Kelly Moore is not subject to health
care regulations but not in that
market is not bound by it regulatory

Currently changing POS - meaning to
real time inventory control - will
allow company to see what is
selling today rather than relying
on historical sales - will also be
able to manage inventory w/it
stores

Costs 15M ±

Oil used partly only made in Texas/
and west coast now in California
How does company differentiate
their paint w/ other brands

raw materials & processing
anything in manufacturing process that
needs to be replaced etc?

How real pricing need right now
(capacity/Utilization)

17M gallons produced

30M gallon capacity

manage inventory Kelly

Company effectively @ 50%

capacity - see below is left

rate for company

that plant is underutilized - could
do HX; maybe plant could be
shut down w/ little negative impact
but don't like certain products only
produced in lettuce & to manufacture
here would not be profitable

6-1-05

Freight cost per gallon 30 - 50
 company has price structure
 based on size & volume
 biggest capex

Texas - Merwin Williams

California - 1st

Oregon, Washington, UT, NV, CO TX

AK, Idaho, CA (Northern)

why did we move out of R?

very competitive market & Kelly more
 not willing to cut price to get market
 share - sold a lot of shares due to
 consistent losses in the market

Do not pursue private label market
 cost of gallon of paint broken down
 on basis of labor, raw materials etc

Bill Berry 26 years of company

career real estate dept. manager

all leased owned property about

50% leased property 50% owned

current trend is to lease - much

less costly to lease than buy

to put a store in 2,4 m or so

if they buy & build

sales dept generate where store need
 to be - that comes to Bill & he

then review with his two - three

options go to President & Board

currently 149 stores

All expansion currently in California

Growth is east - this is where new

stores are going in also fill

in gaps where have stores but

more are needed

6.1-05

Lease Negotiation

5 or 10 year term - 10% right
 improvement req'd by KMT grow/
 or otherwise grow/ 5 or 5 year
 option also try to get controlled
 increase (identified up front) on
 renewal - build in 12 lease days
 5 year history of store openings &
 closing

Lease term left Az market

12/1/04 + 10/1/05 = 15 days

Putting in 11 mil/ year

all in N.C.

acquire & acquire very little
 growth. Universal & Proactive worked
 so-so; Ponderosa in Idaho worked
 pretty well - not great success
 w/ acquisition to trying to instead
 grow externally

No plan to expand or contract in any
 other state

No interest in real estate back of
 currently held real estate

Challenges in Bill & acc

Keeping costs down in construction
 completion of project timely

Try to use low contractor generally
 but sometimes location dictate
 otherwise

Leasing not generally a problem

but every now and again in need

w/ historical rate

Size of typical store
 smaller footprints

6-1-05

lack of interior being respected
 85% Contractor
 15% Retail

Powering on use of part time help

Succession Plan

"very big on promoting from within
 based on this here person identified
 that can replace all VPs -
 that currently working on own
 succession plan to do so
 from within
 Steve Devos

avg size 12,000 sq ft

4-5 reg full time

2-3 part time

dependent on retail volume of the
 store

lost volume - 6-10% new business
 65% contractor

Sales Manager in store handle Contractor
 credit - done in store - credit
 terms are based on estimated
 volume

How are stores set up

each store has finishing department
 60% of what shipped is finished

Quick Turn Program

25 gallon or more for order
 into factory & part will be
 delivered next day
 color system is updated every 5-7
 years

6-1-05

Part of Accruals /

67% 33%

fairly consistent

Most profit is in the paint

Inventory Control

- shipping process

stores used to stock everything

now stocking based on actual

store level so they stock

what they actually sell

New systems will be implemented

in managing inventory

Company buys & stocks core inventory

- then each individual store with

to buy outside based on local

demand

Problems w/ theft?

- getting better handle on theft

gone to zero tolerance

- 20 to 100 national average

Company running @ 5%

Systems used to add/del

cancel system

management change

audit each store every year

- previously not that often

district supervisor manager also

Accruals

NRF checks most collected

less than 42% of total

most debt in form of chg /ale

- stringent collection process

write off very low

6-7-05

GM's - 3 rep to diff acc/
District Rep / upon call in em/
store monthly
Proffion w/ qualified labor - no
turn over her improved in last
couple years due to improved
training & communication

Getting Contractor in the store/
outside labor force goes to
contractor - 1 rep up in
each store at least

Direct referral to business
425 Contractor currently selling to
Biggest factor is labor rep in
the store & their relationship
with the contractor

Market share in Nocal 60%
based on vol / 3-4 years ago
Primary Contractor

Fraser & Don Edward /
they have taken some market
share but I'm getting it back
through pricing & ability to
service the contractor
currently no problem store but
all issues are fixable

Not anticipating closing any more stores
of the 15 stores we closed -
didn't really close refer add
re store

Biggest concern is people as they
renovating the store

6-1-05

Every store has 1 delivery truck & 1
 100% - store manager hired direct
 & is responsible for getting
 goal. had direct etc.

↳ self insured

75% of del are in store
 25% delivery

Execution

↳ call of guy just below

that could easily step into

Herb's shoes who interpreted

Herb G. Phil

↳ over last couple of years significantly
 reduced overhead by downsizing to

car group - restructured management

↳ parked people out in the field

vs sitting up at corporate

stores sold to ICI

↳ keep real estate but idd

quick & business

Herb will get all info re: & answer

idd for & how reflected in

financials

KM - very conservative company

↳ not very good at acquisition

strengths of the company

① People

② Consistency to the Product

③ Service

Historical weaknesses

↳ Mr. Moore tended to micromanage

lack of depth in management

6-1-08

Direct opportunity

growth - but needs to be dady
managed - particularly painful in
small market / rural town /
if not properly managed could
be disastrous

Any threat

wider than asbestos

- silica - raising dust that causes cancer
- Benzene - brain damage from rolling pins
last 2 years have removed asbestos
silica from all products

Doug is only person that was
not changed up in management
make over

Don - new CFO and controller
when Herb joined KMI

Key people

Steve, Ty, Doug & Don
happy at all times & their attitude
Herb has had significant impact
in business due to direction &
also in lost sales due to erosion
of contracts in the business
Herb - last 2 years has not spent
any time in customer due to
asbestos activity

Have lost people (employees) in Texas
to competitors - strong selling fact
that KMI might not be
around long term

New Mexico has really hurt competition
with their orders

6-1-05

Order Corp has lowered credit limit
 & it is still ability to fill
 orders

Management is strong
 some issues in the field but
 working on them

re-investment of dollars right now
 in Idaho, Oklahoma "difficult"
 addressing in context of context
 Results at least 5 years

very non-scientific related extraordinary
 expenses?

Board of Directors

has active or they?

Mrs. Moore, Daugherty

outside Accounting Firm

very - basically accounting firm
 resigned

Walker McElair

Charter litigation for company

the other companies involved
 very from silica etc

biggest risk - potential silica

very environmental litigation & respect
 to real estate

no regulatory review currently going
 as did full environmental assessment
 nothing in store other than
 some gas tests

Seattle - Superfund clean up

that - relatively clean

water issue

✓

Clean Air Act

no real issues b/c no little
 oil based products

6-1-05

All facilities self contained & do not
allow for escape of any byproduct
historically all waste put back
into the product

Budget for environmental maintenance
is too insignificant no separate
line item

No labor relation issue/
union in manufacturing
no union in stock

Insurance coverage
adequate coverage - yes

Litigation
water has historically gone
thru all suits and gotten rid
of most of them
water, bridgeway and contractor

water

Compliance
10-05 EPA (air)

9-05 EPA

2-07 waste

10-08 waste

Water Main

Administrator

History of ESO & Transaction

Max worked 1042 on to stock
in both companies

started w/ 2 ESO originally & each
were funded w/ cash contribution

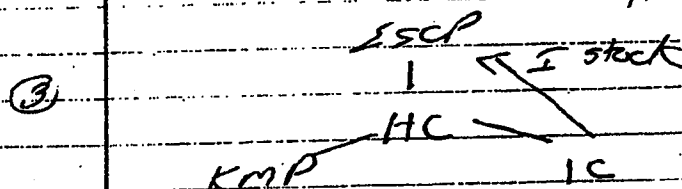
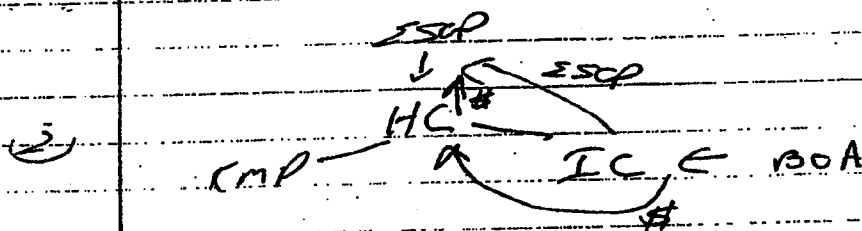
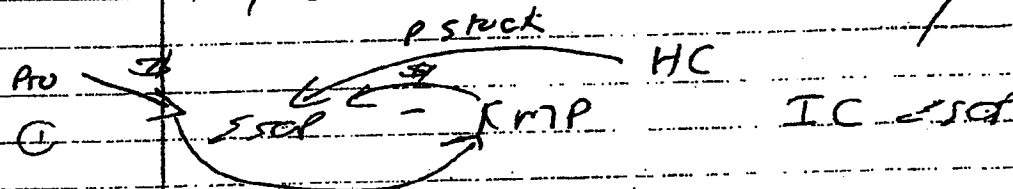
then restructured company & merged
ESOs then ESO purchased

CPRI stock & CPRI I stock

Need to review both valuations

revert on ESO re: what company

Key valued - i.e. Point vs. Hedging



Need to show independence
of valuator for Point (copy
for transaction valuator)

Note Point Co. transaction occurred
when KMP purchased stock of HC - Dr. Co.
happened later and valuator
done only on basis of Dr. Co.
Diff. = Phelps use valuator

operational issue
i.e. Distribution

6.2.05

OK @ Winston Strawn

Aggy Shenrehan: Bob Tiller - both
with Winston Strawn

6-20-05

Kelly Moore to Hiffel

↳ Bob Sullivan - litigation partner

some of the early years, KRM was not

in control of it, can defend the

insurance company were so at

date for one of the earlier

years not complete

\$524 Plan

1/2 of the claim on in Mississippi

there are 6 states where KRM has

not paid at a time - last

like claim rapidly declining

boundary of 524 Plan is you need correct

General 2/3 in dollar amount

1/2 in number

only impairing ability to claim

to key on the entire claim

if want injunction

75% to have to vote for plan

vote by person regardless

of impairment

Tension in claim b/f Future & Current

New legislation in key state

Texas, Florida, Georgia

2 limit ability of non-sympathetic

to sue - non-malignant

3 Basic Tenets

① not to be true impairment of the
lung - determined by a breathing machine
less than 50%

② spot on lung must be of certain

size

③ Doctor may to derive certain %
of reserve from non-litigation record

C. 205

Total cancel

14,000 non-malicious cancel

eg 2nd more should fail based on new legislation

Two principal moving components to negotiating the bankruptcy plan

① how much money will we put into pot to pay claims in the future

② how many claims are there & how much can pay on the claims

no / control

① Pre-Redeemed Plan

↳ negotiator done by end of June

sign global settlement agreement

② recommend disbursement rate

③ 10% of litigation for 100

July 1, balloting process start

Mid August have enough in to satisfy 75%

File in bankruptcy court to get

approval this is where claimants

get to object

diff b/w disallowing for rate

vs. distribution

Plan confirmed then removed by

District court - on expedited process

Plan then takes effect

Consequence claims get paid 1stAll others get 2nd distribution

based on value of claim

Problem here is claimants not

6-2-05

vote again /

when review options & perhaps
trust plan

we would aggressively pursue the
no vote & try to get H.R. 1212 passed
Most possible that negotiation may
not settle on a plan

Federal legislation is not particularly
favorable to Kelly Moore

16.5 m a year for 30 years
would be the required payment

4 options

- 524(G)
- Straight bankruptcy
- Federal Legislation
- Continue in Trust System

Add up in this case has been problem
w/ the data - as there have been
significant efforts to both gather
& correct data

CRIC started in 1976 w/ payment
12 m in 1997

currently more 51,000 claim/affected
415 m in payment / w/ defense cost
105 m defense cost

117 m paid in various cases /

27 m lung cancer
5 m other cancer

6-2-05

40,000 non-malignant
290 M

April 2005

59,129 pending claims down to 14,000
6490 are in states where KM
never operated

59,129

32,231

17,895

↳ claims less likely to go thru
b/c claimant unlikely to prove
up actually used the product

Trying to disallow all claimants
in non-KM state, I will make
motion of court to disallow when
file of court

16,613 claimant in Texas

15,200 non-malignant

13,000 should not result in payment
under new legislation

Texas legislation applied to suit
after 9-30 or suit not tried
before 12-31

1/4 of total remaining pool
would not be entitled to payment
under new Texas legislation

End of day 10% of total
claiming pool entitled to payment
Me/10 claims

35% in Texas (dilemma)

94% in Illinois (non-KM state)

↳ reduced for no payment

125M estimate by expert doc,
not factor in future claims
& doc not discount for
time value of money

6-2-05

expert give no value for non-KM
state i.e. microchip fluids, etc
if we had to put 57% in
per (based upon state's
requirements) would be about
\$274 m

Or there

Our expert in Union Carbide
#1.3 b estimate dam /
expert is currently working on
an estimate

Company's goal is to cap
insurance for settlement
of 7m in settlement payments

had to pay trial coming up in
Texas + California estimating around
\$20m - are demanding 6m +
we settled for 250,000

this year KM tagged w/ 2 reality
in multi-million dollar range

KM had industrial expert case in
+ advised KM that ingredients
in product caused asbestos

KM continued to sell the product
+ when state case down + said
further to sell by certificate

KM sold everything @ a bargain
Mo KM admitted in Union
Carbide that their product
did contain asbestos

+ these facts have resulted
in punitive damages being
awarded

566 10:34 am

6-2-05

during time that KM knew that
its product contained asbestos/
KM met all standard established
by OSHA w respect to asbestos/
handling

KM had significant positive disease/
exposure in California

then about 72m left in insurance

defense costs policy almost
exhausted

17m

5m

> top insurance
proceeds

Insurance

see attached letter

20

10

32

64m

If settle defense costs 1.4g then
Peverly Company will agree to
use amount so recovered to
prepay the rate contributed
to the Bankruptcy

5-31-05

21km - reviewed

6-1-05 contract dr. memo

10 km - meeting

KM 3.2k - reduction of the
cost

6-2-05

5-31

1 km - PUG reviewed
current on determination
retrofitting

Issues

(1) What is the value of the claim?

(2) How much do you pay each claim
of damages?

in Merio claim projected 50 - 162

(3) Convenience (element) - how to
handle

(4) How much money are we
going to put in & once in
how will claim be processed
out of health processing radio
prequalifying the claims for
processing

(5) Value of Company & other
projections

6-2-05

At this point all financial advisors
are in agreement & agree
to the value of the Company
cash flow projections do not complete
the sale of assets

① EICP - not an issue if we
agree on 125 claim value

Mainiff (ACC) asked about
how much money left the
Company that should have been
retained - taking at plaintiff's
cause of action & firm's move
when EICP was formed

question did EICP pay
more than adequate
consideration?

1997 claim

relying on fraudulent
conference - does
not believe an issue

\$500,000 spent on external claim
evidence does not necessarily
show an issue

claim did not hit 5% range
until 2001 1999

A →

All Company ppl believe that
external claim were addressed
in all prior valuations -
we need to confirm.

re another trip
to meet w/ Dan

Accounting Firm
Dr. Price

New Bankruptcy Code goes into
effect in October & we would
want to file prior to October 20
Agreed w/ Auditor to get them
Dr. Price's opinion by June 20

Do another participant letter
in to turn P's in to active P's

EXHIBIT 107

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